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INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 1754
RUEHBJ/AMEMBASSY BEIJING 2176
RUEHKA/AMEMBASSY DHAKA 5102
RUEHNE/AMEMBASSY NEW DELHI 5228
RUEHUL/AMEMBASSY SEOUL 8828
RUEHKO/AMEMBASSY TOKYO 6400
RUEHCN/AMCONSUL CHENGDU 1692
RUEHCHI/AMCONSUL CHIANG MAI 2023
RUEHCI/AMCONSUL KOLKATA 0540
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 4235
RHEHNSC/NSC WASHDC
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RUEKJCS/JOINT STAFF WASHDC
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C O N F I D E N T I A L SECTION 01 OF 04 RANGOON 000057

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E.O. 12958: DECL: 01/30/2019
TAGS: [ECON](#) [ETRD](#) [EFIN](#) [PREL](#) [PGOV](#) [BM](#)
SUBJECT: BURMA: SIGNIFICANT INCREASE IN TRADE IN 2008

REF: RANGOON 20

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

11. (SBU) The Burmese Government recorded an increase in both exports and imports in 2008 compared to previous years. While the value of natural gas exports remained constant, trade was bolstered by substantial exports of jade, gems, and agricultural products. Burmese exports totaled USD 6.6 billion, an 11.4 percent increase over 2007 year-end figures. Burmese imports increased by 36 percent over 2007 year-end levels, to USD 3.8 billion. These trade figures do not include border trade, for which accurate statistics are difficult to obtain. Thailand remains Burma's largest official trading partner, followed by Hong Kong, India, and China. Economists predict 2009 trade values will be lower, as commodity prices have fallen by up to 50 percent. The GOB appears concerned that the world financial crisis will affect Burma's trade potential, evidenced by an unprecedented request to meet with foreign missions to discuss trade promotion. End Summary.

Emphasis on Trade and Exports

12. (SBU) According to researchers from local consulting company Business Information Group (BIG), the Burmese Central Statistical Office compiles trade figures from Customs and import/export information listed on trade licenses issued by the Ministry of Trade. This combination results in over-inflated figures, they added. BIG instead relies only on Customs data when compiling its trade statistics, which

appear below. It does not include border trade, which often does not go through Customs inspection, in its figures. Post believes BIG's figures represent the best available estimates of Burma's trade.

Burma Import/Export Figures, 2005-2008
Value in USD

Year	Exports	Percent Change	Imports	Percent Change
2005	3,526,596,300	--	1,937,053,055	--
2006	4,122,772,276	16.9	2,236,682,990	15.5
2007	5,939,407,654	44.1	2,788,692,103	24.7
2008	6,615,603,864	11.4	3,794,985,317	36.1

Source: BIG, January 2009

¶3. (C) Burma's trade hit a record in 2008, totaling more than USD 10.4 billion. According to BIG, Burma's exports rose by 11.4 percent in 2008, up from USD 5.9 billion in 2007 to USD 6.6 billion. Exports of natural resources, including natural gas, timber, and gems, accounted for the majority of overall exports. Natural gas exports alone totaled USD 2.5 billion. Exports of agricultural products, including rice, onions, garlic, and beans and pulses, increased approximately 28 percent in 2008 from 2007 figures. The regime also earned substantial revenues from sales and exports of precious and semi-precious gems. Exports increased 30 percent, up from USD 561.6 million in 2007 to USD 731.9 million in 2008.

¶4. (C) Despite increases in agriculture and gem exports,

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the value of many of Burma's primary exports, such as timber, fisheries, and minerals, decreased in 2008. According to BIG, although the quantity of exported timber increased in 2008, prices fell by up to 50 percent, resulting in an overall decrease in export values. Exports of marine products also declined, reflecting the impact of Cyclone Nargis on Burma's fisheries industry. The substantial decrease in minerals exports, 76 percent from 2007 levels, reflects the more than 60 percent drop in mineral prices and Myanmar Ivanhoe Copper Corp. Ltd.'s decision to close its copper mine due to ongoing problems with its state-owned partner, Mining Enterprise-1 (Ref A).

Burma's Exports by Sector, 2007-2008
Value in USD

Category	2007 Value	2008 Value	Percent Change
Natural Gas	2,703,165,496	2,504,463,354	- 7.4
Ag Products	1,032,896,547	1,232,103,541	28.1
Timber Prod.	572,913,157	524,958,021	- 8.4
Gems	561,637,794	731,920,869	30.3
Textile/Appl	286,802,745	286,670,889	- 0.1
Marine Prod.	366,308,384	323,756,130	- 11.6
Minerals	94,084,869	22,339,942	- 76.3
Other	321,699,662	670,856,194	207.6
Total	5,939,407,654	6,615,603,864	11.4

Source: BIG, 2009

¶5. (C) More than two-thirds of Burma's exports went to Thailand, the main importer of Burmese natural gas. Burmese exports to Thailand decreased by 8.3 percent in value compared to 2007. Exports to Burma's top five export destinations - Thailand, India, Hong Kong, China, and Singapore - increased overall in 2008, with exports to Hong Kong and Singapore increasing by 26 percent and 147 percent, respectively, due to the increase in exports of agricultural

products, gems, jade, and timber. Official trade with China increased slightly, although most of that trade flows illegally across the border and is not reflected in this data. Burmese economists predict that once China begins to import natural gas from the offshore Shwe Gas fields by 2012, China will become Burma's largest trading partner.

Burma's Export Markets, 2007-2008
Value in USD

Country	Exports 2007	Exports 2008	Percent Change
Thailand	2,804,260,801	2,572,646,075	- 8.3
India	743,517,185	737,910,298	- 1.8
Hong Kong	575,935,831	723,333,726	25.6
China	475,579,468	498,985,931	4.9
Singapore	347,141,440	858,174,907	147.2
Japan	186,707,607	179,393,602	- 3.9
Malaysia	113,509,099	328,645,096	189.5
Bangladesh	41,461,422	108,378,235	161.4
South Korea	57,569,553	78,768,518	36.8
Indonesia	88,125,977	25,968,258	- 70.5
Germany	67,812,545	56,101,655	- 17.3
UK	61,406,832	54,013,521	- 12.0
Other	536,817,701	393,284,042	- 26.7

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Total	5,939,407,654	6,615,603,864	11.4
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Source: BIG, 2009

Rising Imports

¶6. (C) Burmese imports in 2008 increased substantially, by 36 percent over 2007 year-end levels. Imports of oil and diesel fuel, primarily from Malaysia and Indonesia, increased by 23 percent, accounting for almost 20 percent of overall 2008 imports. According to prominent Burmese economist U Myint, the increase in value was due to both higher world prices during the first half of 2008, and also to substantial imports of diesel and oil immediately after Cyclone Nargis. He predicted that, due to lower world prices and less demand, oil and diesel imports in 2009 will drop dramatically.

Burma's Imports, 2007-2008
Value in USD

Product	2007 Value	2008 Value	Percent Change
Oil/Diesel	471,960,839	581,788,497	23.3
Machine Parts	243,894,103	289,687,998	18.8
Textile	275,915,696	269,096,093	- 2.5
Steel/Iron	177,684,589	199,828,295	12.5
Food/Beverage	107,582,695	111,544,467	3.7
Medicine	112,013,679	115,459,808	3.1
Plastic	139,991,354	145,738,585	4.1
Car	192,746,223	125,964,079	- 34.7
Palm Oil	251,242,458	271,513,586	8.1
Chemicals	30,922,209	33,225,474	7.5
Tires	43,484,500	45,642,086	4.9
Computers	12,194,900	9,322,178	- 23.6
Other	792,057,859	1,596,174,171	101.5
Total	2,788,692,103	3,433,867,083	23.1

Source: BIG, 2009

¶7. (SBU) Most of Burma's imports came from Singapore (USD 1.1 billion), as traders continue to use Singaporean

companies to bring in products from the U.S., Europe, and Australia. China was second, with USD 670 million in exports to Burma, followed by the Bahamas (USD 450 million), Thailand (USD 246 million) and Indonesia (USD 207 million). According to BIG officials, the Bahamas, an unusual trade partner for Burma, became Burma's main supplier of oil and gas equipment, primarily drilling well machinery and pipeline materials. (Note: Oil and gas companies Daewoo and MPRL were the primary buyers and distributors.)

Possible Trade Slow Down?

18. (C) Although 2008 was a record year for Burmese trade, export/import data indicate a slowdown during the 2008 fourth quarter. In December, the value of imports dropped more than 50 percent, from USD 724 million in November to USD 361 million. Economist U Myint noted that December is usually a strong month for imports, but many Burmese companies were unable to access credit and secure import permits at the end of 2008. Additionally, the value of Burma's imports, particularly oil, diesel, and palm oil, decreased in the third quarter, reflecting the impact of the world financial

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crisis on commodity prices. Exports also dropped in December, from USD 690 million to USD 510 million due to a decline in the value and quantity of agricultural exports. The Ministry of Commerce, cognizant that the world financial crisis has begun to affect trade, summoned officials from select European and ASEAN countries (plus us as observers after we finagled an invite) on January 13 to discuss trade promotion possibilities. The meeting did not yield any concrete results.

Comment

19. (C) Burma's year-end trade figures indicate Cyclone Nargis had less of an effect on overall trade than predicted in the Tripartite Core Group's Post Nargis Joint Assessment Report. To be sure, Nargis devastated the Delta's fishing industry (which has yet to recover), reducing exports and compelling the GOB to increase imports of diesel and gasoline for electricity-generation purposes. Nargis also destroyed infrastructure, such as roads and ports, making trade even more difficult. Nevertheless, Burma was able to capitalize on high world prices for commodities during the first half of 2008 to increase trade value substantially. Given the recent falling prices of natural gas, timber, agricultural products, and precious gemstones -- Burma's top exports -- we expect that 2009 trade values will be less than 2008 levels, assuming volumes remain relatively constant.

DINGER